# Testimony of Lynn Spellecy Corporate Counsel Equifax Workforce Solutions

# Before the

Committee on Energy & Commerce
U.S. House of Representatives

PPACA Implementation Failures:

Didn't Know or Didn't Disclose?

Good morning Chairman Upton, Ranking Member Waxman, and distinguished Members of the Committee. My name is Lynn Spellecy and I serve as Senior Director and Corporate Counsel for Equifax Workforce Solutions. I appreciate the opportunity to appear before you today to provide an update. Specifically, I will discuss the income verification services that Equifax Workforce Solutions is providing under contract to the Centers for Medicare & Medicaid Services (CMS) to assist in their administration of the benefit programs defined by the Affordable Care Act. Let me begin by stating that our solution has been successfully implemented and has met or exceeded all agreed upon operating specifications in our service agreement with CMS. Please consider this testimony as a supplement to the written testimony submitted to the Subcommittee on Health for the September 10, 2013 hearing, although some of its content is restated here to clarify the role of Equifax Workforce Solutions.

## EQUIFAX WORKFORCE SOLUTIONS AND THE WORK NUMBER®

Equifax Workforce Solutions is a subsidiary of Equifax, a nationwide credit reporting agency, but is separate from the credit reporting business. The Equifax Workforce Solutions business unit is employed by over 8,200 human resources departments and is the leading income verification service in the country. We provide human resource data, analytic services, and verifications of income and employment to both the public and private sector. Equifax Workforce Solutions manages unemployment claims, tax matters, and employment and income verification services to over 75% of the Fortune 500 companies. We also provide other outsourced human resources functions, such as I-9 compliance and management, W-2 and payroll processing, workforce analytics, and employee onboarding.

Our automated employment and income verification service is provided through our proprietary database known as The Work Number®. The Work Number delivers a streamlined, secure, and timely transfer of

information between employers and verifiers that ultimately benefits the consumer by accelerating the decision process on their loan or government benefit, while freeing the employer from the disruption of verification requests. Over 3,000 employers, including the majority of Fortune 500 businesses and most of the federal civilian government agencies, contribute their payroll information to the database at each pay period, entrusting Equifax Workforce Solutions to provide critical human resources functions on their behalf. The Work Number database has close to 54 million current employee payroll records and is projected to grow to 78 million records by the year 2017. When a consumer seeks a loan for housing or an automobile, or fills out a credit card application, the lender often requests verification of the applicant's employment and income. Without The Work Number database, the lender would typically call the Human Resource department of the consumer's employer for that information – often suspending the consumer's financial transaction until the necessary data was confirmed.

## **GOVERNMENT EXPERIENCE**

State and federal government agencies also utilize The Work Number to verify the income and employment of consumers to help determine their eligibility for government benefit programs. In 2011, the United States Census Bureau estimated that one in three Americans lived in households that received some kind of income-based government benefit. Equifax Workforce Solutions provides over ten million verifications annually to government entities including agencies in all fifty states. We help them review applications and verify income for various programs such as Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medicaid, and child support enforcement, as well as for state and local housing subsidies. Government organizations that administer public assistance to low-income individuals and families use The Work Number to check applicant-provided information, identify missing or incomplete data, and reduce program fraud. Like the service provided to a financial service lender, The

Work Number allows government agencies to help determine an applicant's eligibility for a government benefit without directly contacting the applicant's employer, speeding up the verification process for the consumer, and reducing the burden on the employer.

Federal agencies such as the Social Security Administration (SSA) and the Department of Treasury utilize. The Work Number for verification services. The SSA contracts with Equifax Workforce Solutions to verify past and current wages of individuals applying for, or currently receiving Social Security Retirement, Survivors and Disability Insurance benefits or Supplemental Security Income benefits. The Department of Treasury recently contracted with Equifax Workforce Solutions to help the agency enforce H.R. 4053, the "Improper Payments Elimination and Recovery Improvement Act of 2012." Equifax Workforce Solutions provides access to The Work Number database for employment and income verifications in order for the Department of Treasury to facilitate the identification of improper payments by the agency.

As an example of our state services, the Commonwealth of Pennsylvania has worked with Equifax Workforce Solutions since 2010. Pennsylvania's Department of Public Welfare relies on Equifax Workforce Solutions to provide income verifications of applicants for the state's public welfare programs (SNAP, TANF, and Medicaid) through the Office of Income Maintenance. These agencies access The Work Number through a secure web-based platform for real time information regarding an applicant's current employment status and payroll income. The Work Number also provides an "Alert" product to the state's Bureau of Child Support Enforcement (BCSE). This Alert service monitors over 725,000 social security numbers of liable parents on a weekly basis and informs BCSE of any significant changes in income that would impact an active case.

#### CMS CONTRACT

The Affordable Care Act charged CMS to assist Americans with the purchase of health insurance through their employers and exchanges. After a competitive bidding process that included a Request for Information and a Request for Proposal, CMS awarded a contract to Equifax Workforce Solutions in March of this year to provide real time verification of income and employment to the CMS Data Hub to facilitate the verification of eligibility for Medicaid and Children's Health Insurance Program (CHIP), as well as for eligibility for premium tax credits and reduced cost sharing.

As previously stated, we have almost 54 million active employee payroll records and over 3,000 public and private sector employers that contribute their payroll data to The Work Number every pay period. The Work Number database includes payroll data on approximately one-third of the working population in the United States and reflects employees at all wage levels.

The Equifax Workforce Solutions contract with CMS has the potential to cover five years of service, but it is an annual contract renewable each year. Equifax Workforce Solutions is qualified to provide income and employment verifications to CMS because we maintain the largest database of its kind in the country and we have been providing similar income verification services to government agencies and businesses since 1995.

Under the Equifax Workforce Solutions contract with CMS, CMS will obtain consent to verify the income from each applicant prior to sending the request to Equifax Workforce Solutions. CMS will also certify its FCRA permissible purpose for each request. Once an application is submitted and consent is obtained from the applicant filer, CMS will provide the applicant's name, date of birth, and social security number to the hub which in turn will send a request to The Work Number. If there is a match in The Work Number

database, we will validate that the information matched is that of the applicant. If we are confident in the match, we will then evaluate the data in The Work Number database to determine if we have sufficient information to satisfy the CMS match requirements specified in our contract. If so, we will return to CMS the employer's name, federal Employment Identification Number and address, as well as the employee's employment status and pay data, such as gross earnings or net earnings.

#### SOLUTION DELIVERY UPDATE

The Equifax Workforce Solutions income verification solution is working as designed. Since the exchanges first went live on October 1, 2013, we have not experienced any significant problems or interruptions in the income verification solution that we are providing to CMS. We have successfully received and responded to verification requests regarding individual applicants from the federally facilitated marketplace as well as from state-based agencies.

Prior to October 1, 2013, Equifax Workforce Solutions tested our verification solution to ensure that we could transmit data between our servers and the CMS Data Hub. We performed end-to-end testing with the hub and considerable internal stress and volume testing to guarantee that we would be prepared for current and future applicant volumes. Now that the federally facilitated marketplace is open, we are monitoring the flow of verification requests from the hub to our servers and back. We have not experienced any issues, downtimes, or anomalies since the start date. In fact, Equifax Workforce Solutions has exceeded several specifications defined by our service level agreement with CMS. Our service availability has been at 100% to date and our average system response time to requests is under one second.

In August and September 2013, Equifax Workforce Solutions conducted multiple load and stress tests followed by system optimization activities. During four simulated tests, we were able to process volumes of over 120,000 verification requests per hour and were able to simulate processing as high as 132,000 per hour which equates to over 3 million per day, which we estimate would exceed any peak periods the marketplace may experience in the future. As the flow of individuals who submit applications increases, Equifax Workforce Solutions expects to see an increase in verification requests and will process these requests in an efficient manner.

Let me more precisely describe Equifax Workforce Solutions' limited engagement in the application process. Equifax Workforce Solutions receives an income verification request only after an applicant successfully gains access to the federal healthcare.gov or a state-based marketplace website, creates a user name and establishes a security authentication profile, and then enters the online application process. Equifax does not play a role in any of these steps or the identity proofing and authentication that accompanies them.

Equifax Workforce Solutions' verification service makes no distinction regarding the original transmission method of the application – be it a paper application, online, by phone, or in person. We are neither involved in nor do we have visibility into the eligibility decision process or the display and processing of benefit elections. We understand that CMS employs a variety of resources from federal agencies, potentially including the SSA and the Internal Revenue Service, as well as other contractors, to make decisions regarding a household's eligibility for Affordable Care Act benefits.

Although the majority of the verification requests to date have come through the federally facilitated marketplace, Equifax Workforce Solutions is also verifying income for several state-based marketplaces and state Medicaid agencies. Like our engagement with the federally facilitated marketplace, Equifax Workforce Solutions has experienced no issues to date at the state level.

# NEW INCOME VERIFICATION REQUIREMENTS

The Continuing Appropriations Act for 2014 included new requirements for the Department of Health and Human Services to ensure that the federally facilitated and state-based marketplaces verify that individuals applying for coverage and seeking premium tax credits and cost-sharing reductions are in fact eligible for these subsidies. Equifax Workforce Solutions looks forward to sharing our expertise in income verification services with CMS and HHS as they develop guidance regarding the verification solutions for the federal and state exchanges.

# **CONCLUSION**

Since the October 1, 2013 start date, Equifax Workforce Solutions has successfully provided income verification services to CMS for applicants seeking financial assistance under the Affordable Care Act. The extensive experience we've gained from providing income verifications to states and other federal agencies for their eligibility reviews for government subsidies has prepared Equifax Workforce Solutions to successfully serve CMS in this new capacity. Be assured that we will continue to monitor and test our interface with the CMS Data Hub and various state agencies to ensure maximum efficacy. Thank you for the opportunity to testify and I welcome your questions.